



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: April 7, 2009

TO: Mayor and Councilmembers

FROM: Engineering Division, Public Works Department

SUBJECT: Underground Utility Assessment District Program Update And Proposed Program Enhancements

RECOMMENDATION: That Council:

- A. Receive an update on the Underground Utility Assessment District (UUAD) Program (Program);
- B. Approve adding a Program Neighborhood Level of Support Threshold (Support Threshold); and
- C. Approve initiating a Financial Assistance Loan Program for UUAD Property Owners, and refer to the Finance Committee to establish the Loan Program parameters.

EXECUTIVE SUMMARY:

At the September 23, 2008, Council meeting, staff presented an update on the UUAD Program. Staff reported progress on the two UUADs initiated on Eucalyptus Hill Road and on Chapala Street. Staff also recommended that Council implement a UUAD Support Threshold process to assist neighborhoods in demonstrating the strong neighborhood support necessary for Council to approve a neighborhood UUAD. The Support Threshold would increase the probability of maintaining neighborhood harmony during the UUAD process. With the request to approve a Support Threshold, staff is requesting that Council provide direction on initiating financial assistance for the property owners in the Program. This would address the financial concerns raised by property owners potentially affected by a proposed UUAD. The proposed financial assistance would only utilize the available resources of the Underground Utility Fund. Staff will return to Council at a later date with a Financial Assistance Program for Council's consideration and approval.

DISCUSSION:

Eucalyptus Hill Road and Chapala Street UUAD Status

The Eucalyptus Hill Road UUAD preliminary design has been completed by Southern California Edison (SCE). Cox Cable and Verizon have initiated their preliminary designs. On January 29, 2009, staff met with Eucalyptus Hill Road UUAD property owners and shared the details of the SCE preliminary design. The meeting resulted in good information sharing and was well received by the eight property owners that attended. A summary of the meeting has been distributed to those that did not attend. The Assessment Engineer has initiated the preliminary assessment Engineer's Report (Report). A meeting with the property owners is tentatively scheduled for mid-April 2009 to review and discuss the Report.

The preliminary SCE design for the Chapala Street UUAD is complete and Cox Cable and Verizon have initiated their preliminary designs. A neighborhood meeting to review the SCE preliminary design was held on March 19, 2009. Approximately 14 property owners attended the meeting. The meeting was constructive and resulted in good communication between the project team and the neighborhood, and also allowed the neighbors to share information and opinions among themselves.

Potential UUADs

The UUAD Program has evoked significant interest throughout the City. There are approximately 12 other neighborhoods that have expressed interest in the possibility of initiating a UUAD. The establishment of a Support Threshold will allow staff to focus on working with neighborhoods that are most likely to be successful with forming UUADs.

A number of Arbolado Road area property owners have expressed interest at previous Council meetings regarding the potential for a UUAD in their neighborhood. Some Arbolado Road property owners have identified an area in the neighborhood that may support filing a petition to request the initiation of a UUAD. Staff responded and mailed a UUAD survey and related information to surrounding property owners to see if it is possible to expand the area of neighborhood support. Staff invited those surveyed to a February 17, 2009, neighborhood UUAD meeting to share the survey results. Thirteen property owners attended. About half supported a UUAD, and half did not. The meeting provided the opportunity for the neighborhood property owners to work together to determine if there is adequate support for a potential UUAD. It was evident that there was an area included in the survey that lacked support to initiate a UUAD.

Staff recommends not initiating another UUAD that includes City front end financial assistance and staff support until the conclusion of any previously initiated UUAD. The reasons are: 1) the funding limitations within the Underground Utility Program cannot simultaneously support processing numerous UUADs, and 2) limited staff resources exist to administer current and foreseeable workloads.

Neighborhood Level of Support Threshold

At previous Council meetings, several Councilmembers indicated they would like to see a demonstration of strong support by a neighborhood in order for Council to approve a UUAD and to minimize neighborhood conflict.

Staff previously reported to Council on the levels of neighborhood support other municipalities have established to initiate and approve their UUADs. Some municipalities, such as Manhattan Beach and Piedmont, have established a "Neighborhood Level of Support" policy in addition to the legal UUAD petition and approval requirements. Some municipalities require 60%-70% popular support, in addition to the 60% by area requirement, for UUAD petition acceptance at the UUAD initiation stage. Additionally, some municipalities require 50%-60% popular support, in addition to the Proposition 218 weighted vote requirement at the project's final vote stage.

At the September 23, 2008, Council meeting, staff recommended that Council consider 80%-90% popular support requirements for both petition (project onset) and UUAD approval requirements. The discussion focused on what other municipalities use to approve their UUADs, and the stages of the UUAD process where popular Support Thresholds would be considered for implementation. Councilmembers expressed support for a 60%-70% popular support requirement, and directed staff to meet with the public to discuss the issue. If adopted, Council recommended this potential policy requirement would only apply to upcoming City UUADs and would not apply to the Eucalyptus Hill Road and Chapala Street UUADs, since they had already been initiated.

On November 6, 2008, staff conducted an information sharing public meeting to address the topic of appropriate neighborhood level of Support Thresholds. There were approximately 90 property owners representing neighborhoods citywide. A strong majority of the property owners who spoke were against UUADs and recommended that staff continue to pursue a minimum 80% Support Threshold requirement to initiate and approve new UUADs.

Staff is now recommending that Council approve the highest level of Support Threshold feasible. The higher the threshold support level, the lower the potential level of opposition throughout the process. This would result in the highest possible success rate for a neighborhood to achieve approval for a UUAD. A mechanism such as this could prevent neighborhoods from initiating a neighborhood UUAD that may not have demonstrated strong support. Lack of strong neighborhood support would likely lead to eventual UUAD termination and a loss of substantial City funds for "front ended" design and administration costs. Staff's recommendation continues to be a Support Threshold of approximately 80%. Staff believes the establishment of a high Support Threshold is one of the most important actions Council can take to address the potential situation of a significant number of property owners requesting Council deny an initiated UUAD.

Staff recommends Support Thresholds be implemented at the petition, Assessment Engineer's Report, and final voting stages of the UUAD process.

Proposed UUAD Financial Assistance Program for Property Owners

Property owners within an initiated UUAD may be faced with two types of Program costs; assessment costs that are proportional to the property benefit, and the cost to underground their overhead private property services. The assessment cost is typically paid either in full or by payments added to the property tax bill. In previous meetings, the public has clearly indicated that these two Program costs are of significant concern. Staff recognizes that property owners will benefit from knowing estimated financial related information throughout the UUAD process.

Staff has updated the "Steps For Initiating and Forming a Private Residential Underground Utility Assessment District" (UUAD Packet) to reflect improvements to the UUAD process. These improvements include added information regarding cost estimates for assessments and for anticipated costs to property owners to underground their overhead private utility services.

Staff recommends initiating a Private Utility Service Loan Assistance Program (Loan Program). The property owner's cost to underground their overhead private service line at their expense could possibly be their greatest "out of pocket" expense. To address this issue, staff proposes that the Underground Utility Fund would be the funding source for the Loan Program that would be made available to those property owners who qualify by predetermined income guidelines.

The proposed Loan Program is modeled after the City's Housing Rehabilitation Loan Program (HRLP) that is used to assist property owners in correcting deficient code items related to home health and safety, such as deficiencies in plumbing, electrical, heating, etc. The HRLP offers loans of up to 20-years at a maximum fixed interest rate of 3%. As contemplated, it would be available to property owners who meet income levels for the Low Income category for the HRLP. The Underground Utility Fund has the capacity to fund the Loan Program if the number of initiated UUADs in progress at any one time is restricted.

Staff also recommends a Hardship Exception as another proposed financial assistance tool for property owners. On a case-by-case basis, if a property owner demonstrates an extreme hardship as determined by the Finance Director or Council designated entity, they may be eligible for a Hardship Exception. If approved, the Underground Utility Fund would be the source of the bi-annual assessment payments through a loan secured by the property lien. The Underground Utility Fund would be repaid upon the first subsequent sale or transfer of property title. If Council supports the concept of a Loan Program, Council may consider directing staff to work with the Finance Committee on the Loan Program details before returning to Council for a recommendation for approval.

BUDGET/FINANCIAL INFORMATION:

The Underground Utility Program is funded by revenues received as part of the SCE Franchise Agreement. No General Fund monies are involved. These revenues are used for both the UUAD projects and the Underground Utility District (UUD) project; namely, Cliff Drive UUD No. 10. Since the Utility Undergrounding Program has been established, Program revenues have typically been approximately \$380,000 per year, with \$360,000 estimated as revenue for Fiscal Year 2010.

SUSTAINABILITY IMPACT:

Undergrounding overhead utilities within the City results in new utility lines and associated equipment. These improvements contribute to the sustainability of the City power and communication systems.

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SUBMITTED BY: Christine F. Andersen, Public Works Director

APPROVED BY: City Administrator's Office